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TRANSMITTAL SLIP		DATE 25 Jan 85
TO: A/NIO/Econ - 		
ROOM NO.	BUILDING	
REMARKS: <div style="text-align: right; margin-top: 100px;"></div>		
FROM: NIO/AL (David Low)		
ROOM NO. 5600	BUILDING	EXTENSION

FORM NO. 241 REPLACES FORM 36-8

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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC 00422-85
25 January 1985

MEMORANDUM FOR THE RECORD

SUBJECT: US-Japan Trade

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1. At the 24 January 1985 meeting of the SIG-IEP chaired by Secretary Regan, an update of the status of trade discussions with the Japanese was given. Ambassador Smith, as chairman of the Japan-IG under the SIG-IEP, submitted the attached report.

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2. Secretary of State Shultz was in attendance and stressed that he believes the US should concentrate on maintaining pressure on Prime Minister Nakasone and Foreign Minister Abe. Implicit in his remarks was the idea that we should not allow ourselves to be dragged into another series of protracted, technical discussions, but rather should seek change at the political level. He remarked that the test of success should not be the removal of barriers but actual US sales in the Japanese market. He further stated that there were a number of "pressure points" over the next several months. Specifically, the US should maintain the pressure at the upcoming meetings in Tokyo at the end of January, at the US-Japan Economic Sub-Cabinet Consultations scheduled for early in March, and at the May Summit. In addition, he stated that he may invite Foreign Minister Abe to visit the US in April to review progress.

25X1



David B. Low
National Intelligence Officer at Large and
Acting National Intelligence Officer for Economics

Attachment:
As Stated

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SUBJECT: Memorandum for the Record on US-Japan Trade Consultations

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NIO/AL/DL:r

25 January 1985

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DEPUTY UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506
202-395-5114

January 22, 1985

MEMORANDUM

TO: Secretary Donald T. Regan
Chairman, SIG-IEP

FROM: Ambassador Michael B. Smith *MB*
Chairman, Japan IG

SUBJECT: Japan IG - Status Report

To undertake the mandate given by the SIG-IEP at its January 4 meeting, I convened the newly established Japan IG twice during the week of January 7, once on the 17th, and we will meet again tomorrow. At tomorrow's IG meeting, draft scope and objective papers will be examined. All SIG-IEP member agencies interested in trade are participating. Following is a status report and responses to questions you raised at the SIG-IEP.

Message to the GOJ

In order to build on the momentum of the President's meeting with the Prime Minister, the SIG-IEP agreed that we should promptly dispatch a message to the GOJ. The IG met its deadline of agreeing on the message by January 11. Secretary Shultz signed the letter to Minister Abe January 16 and cabled it to our Tokyo Embassy for immediate delivery.

The letter (Tab 1) proposes that Under Secretary Wallis lead a group including Under Secretary Olmer, Deputy Under Secretary Amstutz, and myself to meet with our counterparts in Tokyo January 29-30. At present, Under Secretary Sprinkel is regrettably unavailable on these dates. These are the only dates between now and mid-February when most of the Under Secretaries are available. The purpose of this Tokyo meeting is to discuss the formation of the sector teams and agree on how the teams will proceed. This meeting may be moved to January 28-29 at the request of the GOJ.

Secretary Shultz's letter also proposes that, given the urgency of telecommunications issues, the Telecommunications Sector Group have its first bilateral meeting the week of January 28. We expect other sectors to have their initial meetings in February.

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Composition of the Sector Teams

Commerce and USTR will co-chair the telecommunications/electronics sectors, USDA will take on forest products, and the medical equipment/pharmaceuticals will be led by Treasury or, if Treasury is unable to, USTR will lead. Preparations on forestry products are advanced; others will require more preparations.

Additional Sectors

We have considered the question of whether sectors in addition to the original four should be included in this first round. In particular, we looked at your suggestion of chemicals and Secretary Baldrige's suggestion of manufactured tobacco products. While it is agreed that these and other sectors should be included, it is our recommendation that, in view of the resources available, we should confine our current efforts to the original four sectors. We would take on other sectors as the original sectors are taken care of.

Coordination of the Sector Teams

It is of course essential that the sector teams operate in a manner and pursue objectives consistent with our overall trade policy. It is also essential that on issues which cut across more than one sector, such as standards, that the objectives of the various teams are consistent. To assure this we will use the existing interagency trade policy coordinating groups structured under the Trade Policy Committee. All position papers and negotiating instructions for the sector teams will be cleared through the TPC process.

Contacts with Business Community

We have two objectives here. First we need to get the word out on the new approach. Industries included in the four selected sectors want to know what will happen. Industries not included are worried that their interests are being abandoned. We need to meet with industry groups and trade associations to explain the new approach. Ambassador Brock began this process in his January 9 meeting with the Advisory Committee for Trade Negotiations (ACTN). He will have another opportunity when he addresses the February 4 meeting of the Advisory Council on Japan-U.S. Economic Relations. The Emergency Committee on American Trade assembled a group of interested firms for me to brief on January 17. We will offer similar briefings to other groups as well.

Our second objective is to assemble private sector advisors for each of the sector teams to identify problems and agree on objectives. Moreover, we will ask for continuing support

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from these industries, including technical advisors where needed. As soon as the sector teams are formed they will begin meeting with interested trade associations and firms. Some associations such as The American Paper Institute have already begun to prepare for these consultations.

Contacts with the Congress

We also need to brief the Congress on our new approach. On January 10, I briefed the staffs of the Trade Subcommittees of the Senate Finance Committee and the House Ways and Means Committee. As the Congress returns to town we will also be briefing interested Members. It was agreed that USTR will coordinate these Congressional contacts.

Possible Ministerial Meeting

At the SIG-IEP meeting you asked about the new M-7 group formed by Prime Minister Nakasone, and raised the question of a possible bilateral ministerial meeting. The GOJ paper at Tab 2 presents the members and objectives of the M-7 group, known formally as the Ministerial Conference for External Economic Affairs.

The IG has discussed the possible utility of a ministerial meeting. It is not clear that the benefits would outweigh the costs. However, we are continuing to look at the idea, including possible opportunities for such a meeting.

Attachments

**THE SECRETARY OF STATE
WASHINGTON**

January 16, 1985

Dear Mr. Minister:

As soon as I returned from our Los Angeles meeting, I immediately began final preparations for my meeting with Soviet Foreign Minister Gromyko, and I therefore have not had an opportunity until now to write and express my satisfaction with our January 2 meetings, and the special role that you and officials of your Foreign Ministry played in them. As the President indicated in his remarks to the press afterwards, Prime Minister Nakasone's visit has reconfirmed and strengthened the vital relationship that exists between our two countries.

The President and Prime Minister had an excellent exchange of views on the key issues. It was appropriate that our economic relations, particularly our trading relations, were at the top of the agenda. The agreement to work strenuously in the months ahead to open our markets sets the stage for resolving many of our major problems in trade.

You and I have been charged by the President and Prime Minister with overseeing this intensified cooperative effort to make progress in our economic relations. I take this charge most seriously. As President Reagan said, failure to overcome these obstacles in trade will complicate our ability to fulfill the vision of international partnership between Japan and the United States that we both share. We must not allow this to happen. We can and must remove these obstacles. Our two leaders have made the political commitment. We must now produce results.

We are organizing our government to focus at least initially on the four sectors agreed by the President and Prime Minister: telecommunications, electronics, forest products, and medical equipment and pharmaceuticals. We are now studying whether other sectors should be included in this first group.

**His Excellency
Shintaro Abe,
Minister of Foreign Affairs,
Tokyo.**

It is our intention to have teams to negotiate on each of the sectors. The U.S. side will be led by Under Secretary-level officials in all meetings with your government. I understand that it is your intention that the Japanese delegations be chaired by Vice Ministers.

To launch this process I propose that Under Secretary Allen Wallis lead a U.S. delegation of Under Secretary-level officials to Tokyo January 29-30 to meet with their Japanese Government counterparts. In that meeting we propose discussion of the formation of the sector teams and how the negotiations would be conducted, and determination of the initial schedule of meetings, including the possibility of a ministerial-level meeting for an initial formal review of the progress of the negotiations. I would hope that this mission could meet with those political figures and business leaders in Japan whom Prime Minister Nakasone has involved in the follow-up process. In addition we would expect that officials of our two governments could jointly have an opportunity to meet with the press to clarify our mutual understanding.

U.S.-Japan Economic Sub-Cabinet Consultations are scheduled for early in March. At that time the Under Secretaries may wish to meet separately to review progress being made by the negotiating teams.

One sector, telecommunications, is particularly ready for negotiation. In view of your recently enacted laws which are to be implemented in April, and the special interest evinced by the Prime Minister in this sector, we believe it is essential to get the negotiations on telecommunications underway January 30 and 31. I hasten to add, however, that we would wish to begin negotiations on the other three sectors very shortly thereafter. We also look forward to the meetings of our energy experts in early February to accelerate the implementation of our joint energy agreement.

President Reagan and Prime Minister Nakasone will next meet at the time of the Economic Summit in May. I believe that you and I should report to them prior to that meeting on what progress has been made.

I look forward to our continuing cooperation.

Sincerely yours,



George P. Shultz

Press Release

**For Immediate Release
December 6, 1984**

**On the Establishment of the "Ministrial Conference
for External Economic Affairs"**

**December 4, 1984
Ministerial Conference for Economic Measures**

The Ministerial Conference for External Economic Affairs as described below has been established in order to facilitate the smooth handling of external economic problems. In addition, a meeting of the Advisory Committee ~~for External~~ Economic Affairs has been called. The conference will select a number of foreign experts to participate in the hearings. This is the first time that the Government has permitted foreign experts to present their opinions in this type of government policy-making forum.

1. The Establishment of the Ministerial Conference for External Economic Affairs:

(1) Objectives:

The Ministerial Conference for External Economic Affairs (hereinafter called "Conference") is hereby established within the Ministerial Conference for Economic Measures in order to facilitate the handling of external economic problems.

(2) Members:

The members of the Conference will include the following members of the Ministerial Conference for Economic Measures: the Minister for Foreign Affairs, Minister of Finance, Minister of Agriculture, Forestry and Fisheries, Minister of International Trade and Industry, Director-General of the Economic Planning Agency, Chief Cabinet Secretary, and Minister of State Toshio Komoto. In addition, participation will be solicited from the the Chairman of the Liberal Democratic Party Political and Research Council and the Chairman of the Special Research Committee for International Economic Measures.

The Conference will meet as necessary, and will be empowered to request participation by concerned Cabinet Ministers.

(3) Presiding Chairman:

The Presiding Chairman of the Conference will be Minister of State, Toshio Komoto.

(4) Scope of Activities:

The Conference at the request of the Ministerial Conference for External Economic Measures, will investigate and deliberate on the following matters.

a. The implementation of decisions made by the Ministerial Conference for Economic Measures regarding external economic measures.

b. Mid-term questions involving the further internationalization of Japan's economy.

c. Specific actions which should be taken for the moment with regard to external economic questions.

(5) Reporting:

Results of the inquiries and deliberations of the Conference will be reported to the Ministerial Conference for Economic Measures.

(6) Board of Directors' Meeting:

a. A board of directors meeting is established in order to effectively manage the Conference. It will be constituted by the Bureau Chiefs in charge from the Ministry for Foreign Affairs, Ministry of Finance, Ministry of Agriculture, Forestry and Fisheries, Ministry of International Trade and Industry, and the Economic Planning Agency, and in addition, the Director of the Chief Cabinet Secretary's Office and the Director of the Chief Cabinet Secretary's Special Affairs Office.

b. Members of the board of directors can be added temporarily as needed.

c. Director of the Coordinating Bureau of the Economic Planning Agency will serve as the presiding officer over the Board of Directors.

(7) General Affairs:

The general affairs of the Conference, will be handled by the Special Affairs Office of the Chief Cabinet Secretary with the cooperation of the Coordination Bureau of the Economic Planning Agency.

2. The Calling of the Advisory Committee for External Economic Affairs:

(1) Objectives:

The Advisory Committee for External Economic (hereinafter referred to as "Committee") meeting will be called at the

request of the Conference to deliberate and express their opinions.

(2) Members:

There will be participation from up to 10 members with deep knowledge and experience in international economics, international financing, international trade, and other external economic questions.

(3) Sitting Chairman:

The Committee will select a sitting chairman from among their ranks.

(4) Collecting Opinions:

a. Special Participants:

The Committee will select a number of foreign experts as special participants and will hear their opinions from time to time.

b. Other:

When necessary, the subcommittee will conduct hearings which elicit the opinions of employees of related government agencies and ministries, or academics or persons having relevant experience and knowledge from both Japan and abroad.

(5) General Affairs:

The general affairs of the Committee will be handled by the Special Affairs Office of the Chief Cabinet Secretary with the cooperation of the Coordination Bureau of the Economic Planning Agency.